



*United States Attorney  
Southern District of New York*

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**U.S. BRINGS NEW CHARGES OF BANK FRAUD AND FALSE  
STATEMENTS AGAINST EX-WORLDCOM CHIEF FINANCIAL OFFICER**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, and KEVIN P. DONOVAN, the Assistant Director of the FBI New York Field Office, announced that a federal grand jury sitting in Manhattan has returned a Superseding Indictment against SCOTT D. SULLIVAN, the former Chief Financial Officer, Treasurer and Secretary of WorldCom, Inc. ("WorldCom"), in connection with his participation in a scheme to defraud investors, creditors, and the public regarding the financial condition and operating performance of WorldCom.

The Superseding Indictment adds bank fraud and false loan applications charges against SULLIVAN. SULLIVAN was previously charged with securities fraud and conspiracy charges in connection with the accounting fraud at WorldCom in an Indictment returned on August 28, 2002.

In addition to the charges contained in the previous Indictment, the Superseding Indictment charges that on or about June 8, 2001, WorldCom obtained two credit facilities. The first

was a \$2.65 billion, 364-Day Revolving Credit Facility and the second was a \$1.6 billion, Five-Year Revolving Credit Facility (collectively the "2001 Credit Facilities"). The participating banks in the 2001 Credit Facilities were Bank of America, N.A., The Chase Manhattan Bank, Citibank and other lending institutions (the "Participating Lenders"). In connection with the 2001 Credit Facilities, WorldCom entered into certain loan agreements (the "2001 Credit Agreements") which required WorldCom to provide, among other things, WorldCom's quarterly and annual financial statements to the Participating Lenders.

According to the Superseding Indictment, during the Spring of 2001, SULLIVAN and other WorldCom officers began discussions with the Participating Lenders to obtain lines of credit for WorldCom. In furtherance of the alleged scheme, on or about May 14, 2001, SULLIVAN signed a commitment letter on behalf of WorldCom for the 2001 Credit Facilities. In the commitment letter, it was charged, WorldCom represented and warranted, among other things, that information provided to Bank of America ("BOA") and The Chase Manhattan Bank ("Chase"), including WorldCom's financial statements, "is and will be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact." WorldCom further undertook "to supplement the Information from time to time until the close date" of the loans.

According to the Superseding Indictment, as SULLIVAN and others well knew, the financial statements on which BOA and Chase had relied in issuing the Commitment Letter were false and fraudulent because they falsely concealed recurring line cost expenses as capital expenditures and thereby lowered publicly reported expenses, resulting in higher reported earnings for WorldCom. Further, as SULLIVAN knew and intended, BOA, Chase and the other Participating Lenders relied upon the information that WorldCom provided, including WorldCom's fraudulent financial statements and copies of its public filings with the SEC, in making decisions to extend credit to WorldCom.

According to the Superseding Indictment, on or about May 15, 2001, SULLIVAN and others, in furtherance of WorldCom's efforts to obtain financing, gave a presentation to the Participating Lenders at the Waldorf Astoria in Manhattan about WorldCom's purported financial health. In furtherance of the alleged scheme, SULLIVAN made material misrepresentations to the Participating Lenders, including, among others matters, WorldCom's 2000 EBITDA. In addition, SULLIVAN presented forecasts for WorldCom's 2001 capital expenditures, but omitted to disclose that WorldCom had begun capitalizing a substantial portion of its recurring line cost expenses, as set forth above.

According to the Superseding Indictment, by providing false financial statements to the Participating Lenders, SULLIVAN

and his co-conspirators were able to secure more than \$4.25 billion in credit from the Participating Lenders. After allegedly fraudulently obtaining the 2001 Credit Facilities, SULLIVAN and his co-conspirators continued to provide false and fraudulent quarterly financial statements, for the purpose, among others, of preventing the Participating Lenders from discovering that the financial statements provided with the loan applications were fraudulent.

The case is assigned to United States District Judge BARBARA S. JONES. Judge JONES has scheduled the trial for this matter for September 8, 2003. The next pretrial conference in this matter is scheduled for April 22, 2003 at 11 A.M.

SULLIVAN, 40, resides in Boca Raton, Florida. He has been released on a \$10 million personal recognizance bond following his arrest on August 1, 2002.

SULLIVAN is charged in the Superseding Indictment with 1 count of conspiracy, 1 count of securities fraud, 5 counts of making false filings with the SEC in connection with WorldCom's Forms 10-Q and 10-K filed during 2001 and 2002, 2 counts of bank fraud, and 2 counts of making false statements in connection with loan and credit applications. If convicted on the conspiracy count, he faces a maximum sentence of 5 years in prison and a \$250,000 fine, or twice the gross gain or loss resulting from the crime. The securities fraud and false statements in public

filings counts each carry a maximum sentence of 10 years in prison and a \$1 million fine, or twice the gross gain or loss resulting from the crime. The bank fraud and false statements in loan and credit applications counts each carry a maximum sentence of 30 years in prison and a \$1 million fine, or twice the gross gain or loss resulting from the crime.

Mr. COMEY said that the investigation is continuing.

Mr. COMEY is a member of the President's Corporate Fraud task force. The Task Force is chaired by Deputy Attorney General LARRY THOMPSON, and was created by President BUSH last summer to combat white collar crime.

Assistant United States Attorneys DAVID B. ANDERS, WILLIAM F. JOHNSON and BONNIE JONAS are in charge of the prosecution.

The charges contained in the Superseding Indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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